

UNITED STATES DEPARTMENT OF AGRICULTURE



World Distilled Spirits Situation and Outlook

COMMODITY AND MARKETING PROGRAMS – PROCESSED PRODUCTS DIVISION
INTERNATIONAL STRATEGIC MARKETING GROUP
DECEMBER 2005

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Executive Summary

Distilled spirits include whiskeys, vodka, gin, tequila, rum, brandy, cordials, and liqueurs. Most countries produce distilled spirits but not all of them export their products in great quantities. This report focuses on the leading country purchasers of U.S. distilled spirits exports plus the leading producers for international trade.

Global Trade Atlas reports that there were \$15.5 billion in world distilled spirit exports in 2004. The Foreign Agricultural Service (FAS) of the USDA forecasts the value of world distilled spirits exports as \$16.9 billion in 2005, a 10 percent increase over the previous year. Whiskeys represent the largest category exported in 2004, with 37 percent of the total. Over a three-year period (2002-2004) categories with compound annual growth rates by value of 17 percent or more were undenatured ethyl alcohol of an alcohol content of 80 percent or higher, vodka, and gin.

Approximately 196 million Americans are at or above the legal drinking age of 21. The Distilled Spirits Council of the United States estimates that 120 million Americans consume beverage alcohol. U.S. yearly per capita consumption of distilled spirits has increased from 4.6 liters in 1997 to 5.1 liters in 2004.

U.S. exports of distilled spirits were \$718.7 million in calendar year 2004, an increase of 22 percent over 2003. The top market for U.S. distilled spirits by value is the United Kingdom. The United Kingdom is 17 percent of the United States total distilled spirits export market. Other top countries for U.S. distilled spirits exports are Canada, Germany, Australia, and Japan. In 2004, U.S. distilled spirits exports to the United Kingdom increased 22 percent to a total of \$120.7 million, U.S. distilled spirits exports to Canada increased 33 percent to \$102.1 million, U.S. distilled spirits exports to Germany increased 13 percent to \$81.7 million, U.S. distilled spirits exports to Australia increased 30 percent to \$77.6 million, and U.S. distilled spirits exports to Japan increased 16 percent to \$59 million.

U.S. distilled spirits exports grew 9 percent in value during fiscal year (FY) 2005 compared to FY 2004. Export quantities fell by 5 percent. Total U.S. distilled spirits exports for FY 2005 were \$737.8 million.

The greatest competition to the market share for U.S. distilled spirits exports comes from the United Kingdom, France, Ireland, Mexico, and Italy. In 2004, distilled spirits exports to the world from the United Kingdom increased 3 percent to a total of \$4.98 billion, distilled spirits exports to the world from France increased 12 percent to a total of \$2.8 billion, distilled spirits exports to the world from Ireland increased 1 percent to a total of \$761.8 million, distilled spirits exports to the world from Mexico increased 3 percent to a total of \$613.7 million, and distilled spirits exports to the world from Italy increased 15 percent to a total of \$591.3 million.

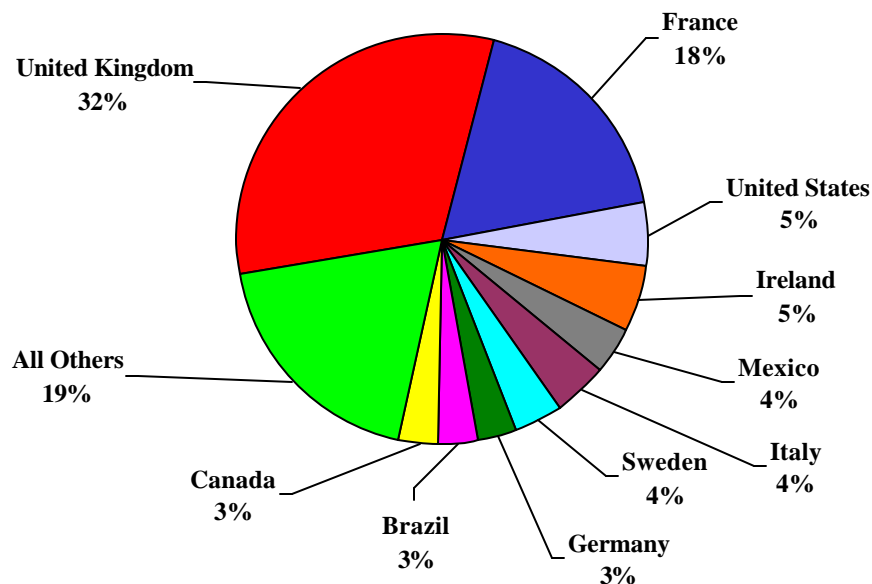
Global production of distilled spirits is difficult to measure. Some production statistics are unavailable or even confidential. Consumption growth rates among the countries

mentioned are a mixed bag. Euromonitor points out that the distilled spirits industry is mature and growth in the future may come from value rather than quantity. Younger adult consumers are sometimes looking for lighter, more refreshing drinks. Trends among all adult consumers include becoming more health conscious by watching their beverage alcohol consumption, and more mindful of the legal consequences of over-consumption.

World Distilled Spirits Production¹

Distilled spirits include whiskeys, vodka, gin, tequila, rum, brandy, cordials, and liqueurs. Distilled spirits are alcoholic beverages obtained by the distillation of fermented agricultural products. Wine and beer are not included in this sector. The U.S. International Trade Commission's *Industry and Trade Summary on Distilled Spirits* (November 2000) reports that while distilled spirits are produced in most countries of the world, much of the production is consumed domestically. The leading world producers are not necessarily the leading world importers and exporters. This report focuses on the leading country purchasers of U.S. distilled spirits and the leading producers for international trade. Countries included in Global Trade Atlas² reported distilled spirits exports of \$14.2 billion in 2003, and exports rose to \$15.5 billion in 2004, an increase of 9 percent.

Figure 1. Major Distilled Spirits Exporting Countries, Export Value Market Share 2004



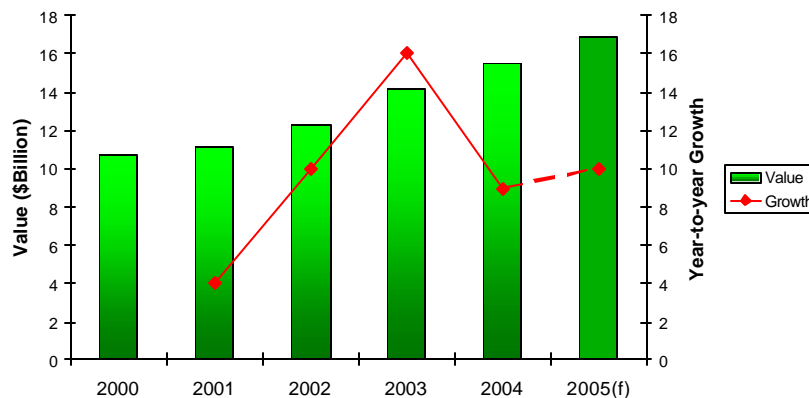
Source: Global Trade Atlas

¹ This report draws from a variety of sources, including Foreign Agricultural Service Post analysis, trade databases, industry associations, and other commercial analysis, and was compiled by Dorsey Luchok, Agricultural Economist, under the supervision of International Strategic Marketing Group Team Leader Kurt Seifarth. The Foreign Agricultural Service (FAS), Processed Products Division, is responsible for the forecasts in this report unless otherwise stated. Additional information is available from the Processed Products Division. Telephone: (202) 720-6343, Internet: <http://www.fas.usda.gov/agx/Processed/Processed.html>

² Global Trade Atlas reports on over 90 percent of the world's trade in any harmonized system classification code.

Internationally, Harmonized Trade System (HS) codes are only standardized to the 6-digit level. Trade is measured using HS codes 2208 and 220710. When measuring exports of undenatured ethyl alcohol of an alcohol content of 80 percent or higher, many countries' trade statistics do not separate out the product in HS 220710 meant for beverages versus the product meant for other uses. Care should be taken when interpreting the trade statistics. However, 220710 was only 8 percent of world exports in 2004.

Figure 2. World Distilled Spirits Export Value and Growth, 2000-2005



Source: Global Trade Atlas, 66 countries reported for 2004, 65 for 2002 and 2003, 59 countries reported in 2001, 57 countries reported in 2000, Forecast: FAS

The value of world distilled spirits exports is forecasted by FAS to be \$16.9 billion in 2005, an increase of 10 percent from \$15.5 billion. In 2004, GTA reported that 37 percent of these exports were whiskeys, 26 percent were liqueurs and cordials (including kirschwasser³, ratafia⁴, and other liqueurs and cordials), 16 percent was grape brandy, 8 percent was vodka, 8 percent was undenatured ethyl alcohol of an alcohol content of 80 percent or higher, 3 percent was gin, and 3 percent was rum and tafia⁵. Totals sum to over 100 percent due to rounding. For the time period of 2002 through 2004, many of these categories were showing compound annual growth rates (CAGR) of 10 percent or more. Specifically, the CAGR for whiskeys was 11 percent, liqueurs and cordials was 11 percent, vodka was 18 percent, undenatured ethyl alcohol of an alcohol content of 80 percent or higher was 21 percent, and gin was 17 percent. Rum and tafia grew more slowly with a CAGR of 1 percent.

The global distilled spirits market is highly fragmented. In 2002, Euromonitor reported that the top 10 distilled spirits companies had 23 percent of the global market, while a host of other companies had the remaining 77 percent. Only 1 company in the top 10 had

³ Kirschwasser is a cherry flavored clear liqueur.

⁴ Ratafia is a plum or peach flavored liqueur.

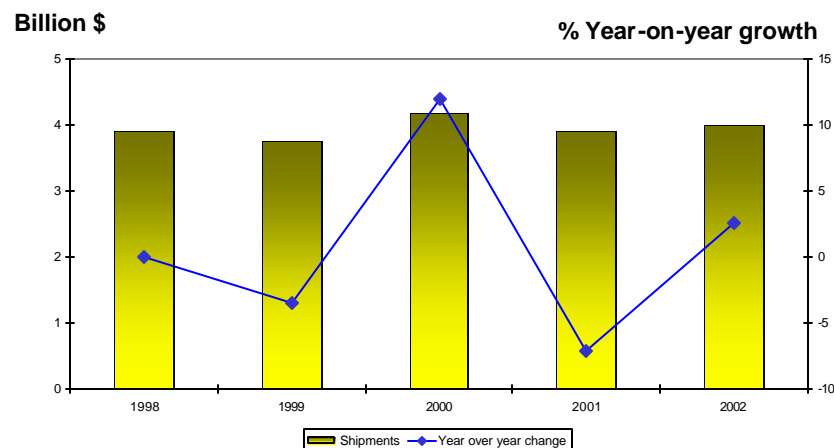
⁵ Tafia is an inexpensive rum.

more than 4 percent of the global market. Euromonitor points out that the distilled spirits industry is mature and growth in the future may come from value rather than quantity. Young adult consumers are sometimes looking for lighter, more refreshing drinks. All consumers are becoming more health conscious by watching their beverage alcohol consumption, and more mindful of the legal consequences of over-consumption.

U.S. Distilled Spirits Production

According to the Economic Census, the total value of U.S. distilled spirits shipments in 2002, not including brandy, was over \$4 billion dollars, while bottled distilled spirits were over \$3 billion of that total. Shipments are defined as withdrawals of U.S. product from producer warehouses and are not considered retail value.

Figure 3. U.S. Distilled Spirits Production



Source: U.S. Census Bureau

U.S. Distilled Spirits Consumption

The Distilled Spirits Council of the United States (DISCUS) estimates that, in general for any recent year, 120 million Americans consume beverage alcohol (which includes wine and beer). This figure represents 63 percent of Americans within the legal drinking age.

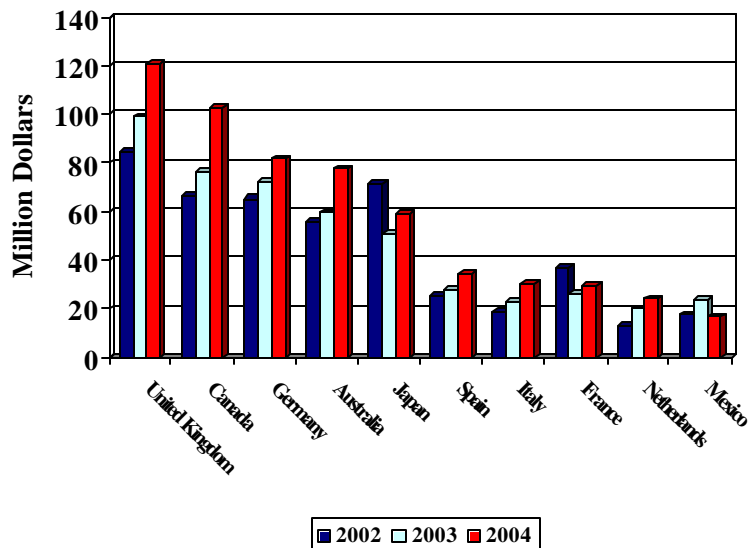
According to the U.S. International Trade Commission (USITC), apparent U.S. consumption of distilled spirits in 2003 was \$6.9 billion, which represents a 6.6 percent change since 2002. USITC's figure was calculated by taking the value of distilled production as supplied by the Commerce Department, less exports plus imports. These values are low because they are based on the values of producer or wholesaler shipments, rather than retail values. Apparent consumption has grown slowly but steadily since 1998. According to Euromonitor, U.S. per capita consumption of distilled spirits has increased from 4.6 liters in 1997 to 5.1 liters in 2004.

U.S. Distilled Spirits Exports

The United States exported \$718.7 million of distilled spirits during calendar year 2004, which represented an increase of 22 percent over 2003. The United States exported 217 million liters, proof gallon equivalents (LITPF) of distilled spirits during 2004, a 5 percent increase from the year before.

By value, the top market for the United States, the United Kingdom, increased at 22 percent above the year before. The United Kingdom is now 17 percent of the United States' total distilled spirits export market. Canada, the second highest export market for the United States, also showed strength, increasing by 33 percent in value. Germany ranks as the United States' third top market after purchases increased 13 percent during 2004. Australia ranks fourth and increased 30 percent from the previous year. Japan ranks fifth and increased 16 percent over 2003. These top five countries account for 61 percent of the U.S. distilled spirits exports by value in 2004.

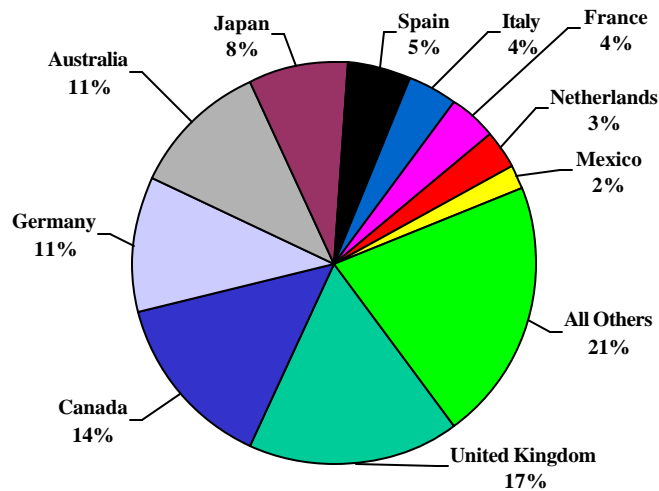
Figure 4. U.S. Distilled Spirits Exports by Value



Source: U.S. Department of Commerce

U.S. distilled spirits exports grew 9 percent in value during fiscal year (FY) 2005 (October 2004 through September 2005), compared to FY 2004. U.S. distilled spirit exports fell 5 percent in quantity during FY 2005 compared to FY 2004. Total U.S. distilled spirits exports for FY 2005 were \$737.8 million. Export figures for Calendar Year (CY) 2005 will be available in February 2006.

Figure 5. U.S. Distilled Spirits Exports by Value, 2004



Source: U.S. Department of Commerce

Nations in the EU-25 represent 51 percent of the U.S. distilled spirits exports in value and 29 percent of the U.S. distilled spirits exports in quantity in 2004. Canada represents 14 percent of U.S. distilled spirits exports in value and 26 percent in quantity, Australia represents 11 percent of U.S. distilled spirits exports in value and 14 percent in quantity, and Japan represents 8 percent of U.S distilled spirits exports in value and 8 percent in quantity.

Competitive Environment

The greatest competition to the market share for U.S. distilled spirits exports comes from the United Kingdom, France, Ireland, Mexico, and Italy. Discussion of some of the largest competitor nations begins on page 17.

Largest U.S. Distilled Spirits Export Markets

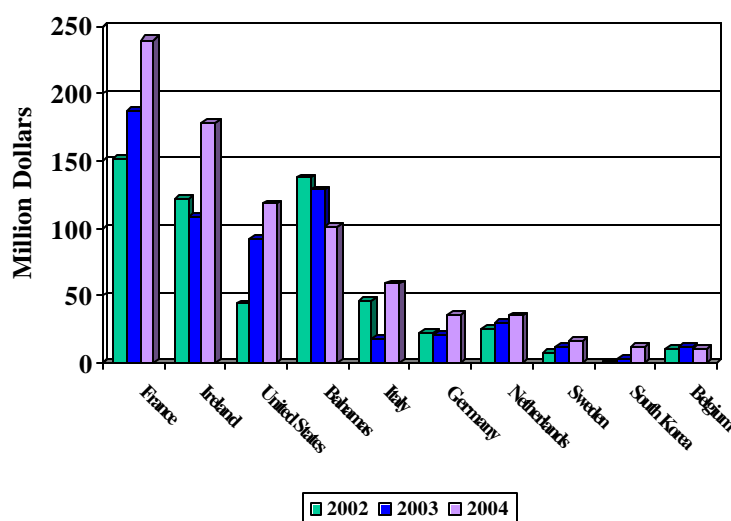
United Kingdom

Production: 1.1 billion liters (2003)
Total imports: \$848.7 million (2004)
Total exports: \$4.98 billion (2004)

Sources: *GTA, Euromonitor*

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 4.5 liters, up from 4.2 liters in 1997. Popular products include vodka, blended Scotch whiskey, and liqueurs.

Figure 6. United Kingdom Distilled Spirits Imports by Value



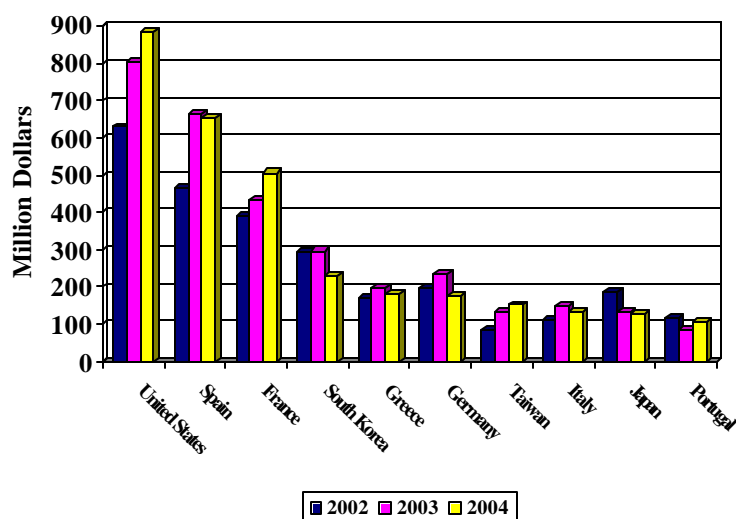
Source: Global Trade Atlas

The United Kingdom has the distinction of being a major importer of U.S. distilled spirits and being a major competitor to the United States in the world market. According to the U.S. Department of Commerce, U.S. distilled spirit exports to the United Kingdom increased 22 percent in value over 2003 to \$120.7 million. The composition of U.S. distilled spirits exports by value to the United Kingdom market in 2004 were 88 percent whiskeys, 5 percent liqueurs and cordials, 5 percent other spirituous beverages NESOI⁶, 1 percent grape brandy, with small amounts of vodka, rum and tafia and undenatured ethyl alcohol for beverage purposes. The strengthening of the euro helped to make U.S. distilled spirits more competitive in the United Kingdom.

The United Kingdom is the world's fifth largest importer of distilled spirits and the largest market for U.S. distilled spirits. By value, the United States is the third largest supplier of distilled spirits to the UK market. The top four suppliers by value are France, Ireland, the United States, and the Bahamas. Italy and Germany have also enjoyed good growth in the UK market.

⁶ "NESOI" stands for "Not Elsewhere Specified or Identified."

Figure 7. United Kingdom Distilled Spirits Exports by Value



Source: Global Trade Atlas

According to Global Trade Atlas, the United Kingdom's distilled spirits export values increased 3 percent in 2004 to \$4.98 billion. Major destinations for distilled spirits from the United Kingdom are the United States, Spain, France, and South Korea. The United States is 18 percent of the UK export market by value. The U.S. Department of Commerce reports that the United States imported \$822 million in distilled spirits from the United Kingdom in 2004, an increase of 14 percent over 2003, with a quantity of 86 million LITPF, an increase of 5 percent.

Global Trade Atlas reports that by value, the composition of exports from the United Kingdom to the world are 82 percent whiskeys, 7 percent gin, 6 percent various cordials and liqueurs, 2 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, and small amounts of vodka, rum and tafia, and grape brandy.

Two organizations that engage in export promotion for U.K. distilled spirits are Food from Britain and the Department of Environment, Food, and Rural Affairs.

Canada

Production: 990 million liters (2003)

Total imports: \$437.3 million (2004)

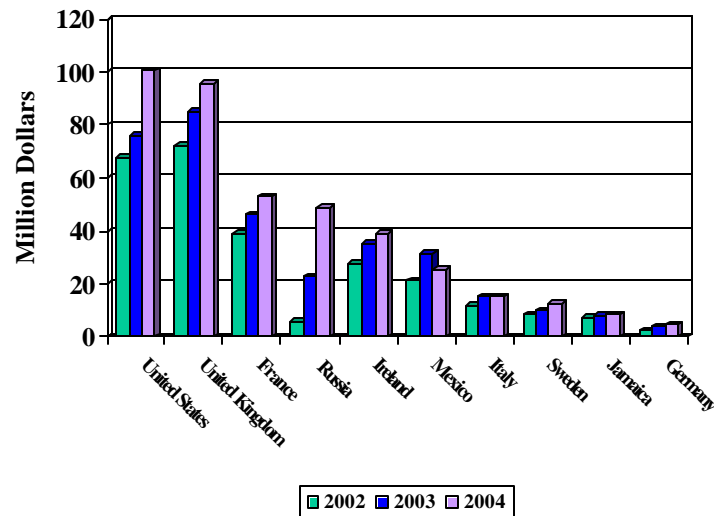
Total exports: \$434.7 million (2004)

Sources: GTA, Statscan⁷

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 4.3 liters, up from 4 liters in 1997. Popular products include Canadian whiskey, vodka, and liqueurs.

⁷ As reported by Euromonitor.

Figure 8. Canada Distilled Spirits Imports by Value



Source: Global Trade Atlas

According to the U.S. Department of Commerce, U.S. distilled spirit exports to Canada increased 33 percent in value over 2003 to \$102.1 million. According to Global Trade Atlas, the composition of U.S. distilled spirits exports by value to the Canadian market in 2004 were 27 percent rum and tafia, 18 percent whiskeys, 17 percent liqueurs and cordials, 16 percent undenatured ethyl alcohol for beverage purposes, 14 percent other spirituous beverages NESOI, and 10 percent vodka. Totals sum to more than 100 percent due to rounding. The United States supplies 23 percent of Canada's imports of distilled spirits by value.

According to Global Trade Atlas, Canada's distilled spirits export values increased 19 percent in 2004 to \$434.7 million. Major destinations for distilled spirits from Canada are the United States, Japan, and the United Kingdom. The United States is 94 percent of the Canadian export market by value. The U.S. Department of Commerce reports that the United States imported \$317.9 million in distilled spirits from Canada in 2004, an increase of 8 percent over 2003, with a quantity of 125.7 million LITPF, an increase of 3 percent.

Global Trade Atlas reports that by value, the composition of exports from Canada to the world are 79 percent whiskeys, 10 percent vodka, 6 percent liqueurs and cordials, 2 percent rum and tafia, 2 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, and small amounts of other liqueurs, gin, and grape brandy.

Export promotion is done by Agriculture and Agri-Food Canada. Agriculture and Agri-Food Canada matches industry funds to support promotion activities for Canadian agriculture.

Germany

Production: 395.2 million liters (2002)

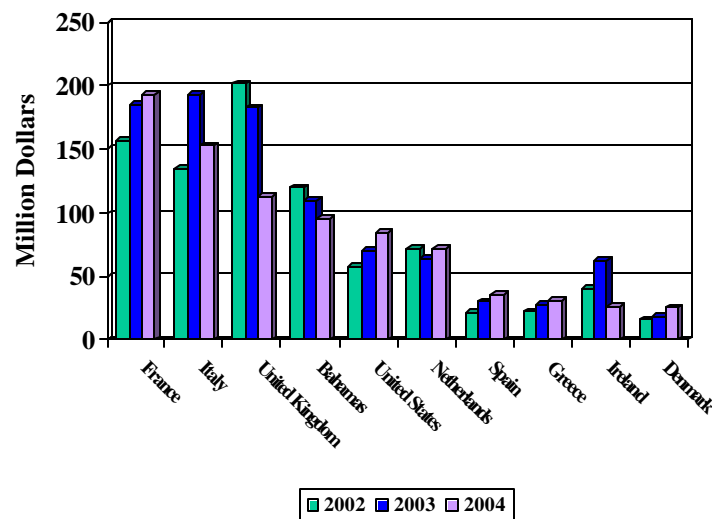
Total imports: \$937.2 million (2004)

Total exports: \$528.8 million (2004)

Sources: GTA, Euromonitor

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 5.7 liters, down from 6.4 liters in 1997. Popular products include doppelkorn (corn schnapps), korn (a grain spirit), obstbrande, brandy, cognac, and liqueurs.

Figure 9. Germany Distilled Spirits Imports by Value



Sources: Global Trade Atlas

According to the U.S. Department of Commerce, U.S. distilled spirit exports to Germany increased 13 percent in value over 2003 to \$81.7 million. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the German market in 2004 were 94 percent whiskeys, 2 percent rum and tafia, 2 percent liqueurs and cordials, 2 percent undenatured ethyl alcohol for beverage purposes, and small amounts of the other distilled spirits categories. Totals sum to over 100 percent due to rounding. The United States supplies 9 percent of Germany's imports of distilled spirits by value.

According to Global Trade Atlas, Germany's distilled spirits export values decreased 16 percent in 2004 to \$528.8 million. Major destinations for distilled spirits from Germany are the United States, the Netherlands, and the United Kingdom. The United States is 24 percent of the German export market by value. The U.S. Department of Commerce reports that the United States imported \$133.6 million in distilled spirits from Germany in 2004, an increase of 44 percent over 2003, with a quantity of 12.2 million LITPF, an increase of 37 percent.

Global Trade Atlas reports that by value, the composition of exports from Germany to the world are 40 percent liqueurs and cordials, 16 percent other liqueurs, kirschwasser, ratafia, etc., 12 percent whiskeys, 12 percent rum and tafia, 8 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, 7 percent grape brandy including cognac, 4 percent vodka, and 2 percent gin. Totals sum to over 100 percent due to rounding.

Generic information on alcoholic beverages is available from the German Association of the Alcoholic Beverage Industries BSI (Bundesverband der Deutschen Spirituosen-Industrie und Importeure e.V.).

Australia

Production: Production data is unavailable

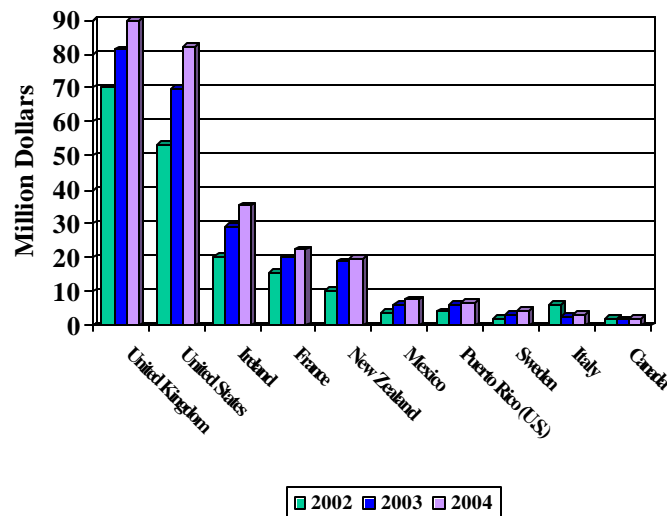
Total imports: \$287.1 million (2004)

Total exports: \$52.6 million (2004)

Sources: GTA, Euromonitor

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 2.7 liters, down from 3 liters in 1997. Popular products include blended Scotch whiskey, bourbon or other U.S. whiskeys, vodka, and dark rum.

Figure 10. Australia Distilled Spirits Imports by Value



Sources: Global Trade Atlas

According to the U.S. Department of Commerce, U.S. distilled spirit exports to Australia increased 30 percent in value over 2003 to \$77.6 million. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the Australian market in 2004 were 87 percent whiskeys, 8 percent liqueurs and cordials, 2 percent undenatured ethyl alcohol for beverage purposes, 1 percent vodka, 1 percent other spirituous beverages

NESOI, and a small amount of grape brandy. The United States supplies 29 percent of Australia's imported distilled spirits by value.

According to Global Trade Atlas, Australia's distilled spirits export values increased 9 percent in 2004 to \$52.6 million. Major destinations for distilled spirits from Australia are New Zealand, Japan, and Singapore. The United States is 1 percent of the Australian export market by value. The U.S. Department of Commerce reports that the United States imported \$524 thousand in distilled spirits from Australia in 2004, an increase of 128 percent over 2003, with a quantity of 266.6 thousand LITPF, an increase of 1,337 percent. The main increase in quantity is attributable to imports of inexpensive brandy.

By value, the composition of exports from Australia to the world are 31 percent whiskeys, 23 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, 18 percent other spirituous beverages NESOI, 12 percent vodka, 8 percent other cordials and liqueurs, 3 percent rum and tafia, 3 percent grape brandy, and 2 percent gin. Totals do not sum to 100 percent due to rounding.

The Australian government takes a back seat to private industry in support of exports. In most cases, promotional support is provided primarily by producer-based organizations funded by grower levies collected under statutory authority. Brandy is promoted by the Australian Wine and Brandy Corporation (AWBC). AWBC is funded primarily through levies on wine and brandy producers and exporters.

Japan

Production: 4.2 billion liters (2003)

Total imports: \$839.2 million (2004)

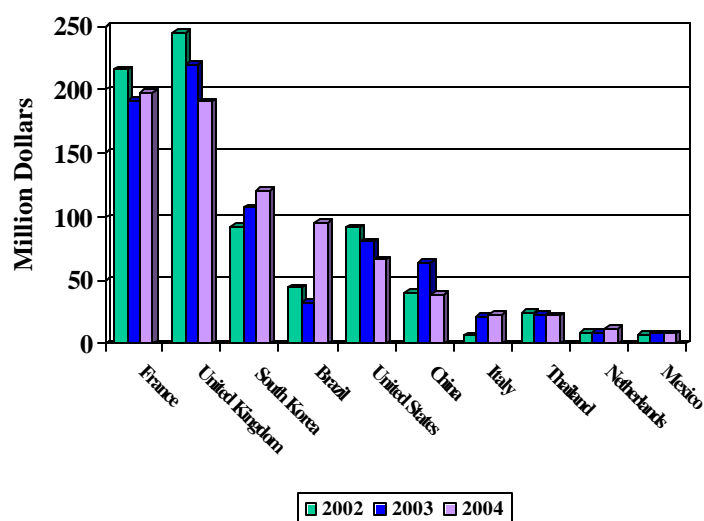
Total exports: \$32.1 million (2004)

Sources: *GTA, National Tax Association*⁸

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 9 liters, up from 7.6 liters in 1997. Popular products include locally produced distilled spirits such as shochu, a traditional Japanese liquor that can be made from the distilled spirits of various materials such as potatoes, sweet potatoes, barley, buckwheat, rice, etc.

⁸ As reported by Euromonitor.

Figure 11. Japan Distilled Spirits Imports by Value



Sources: Global Trade Atlas

According to the U.S. Department of Commerce, U.S. distilled spirit exports to Japan increased 16 percent in value over 2003 to \$58.9 million. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the Japanese market in 2004 were 68 percent whiskey, 13 percent liqueurs and cordials, 9 percent grape brandy, 6 percent vodka, 3 percent undenatured ethyl alcohol for beverage purposes, 1 percent rum and tafia, and a small amount of other spirituous beverages NESOI and gin. The United States supplies 8 percent of Japan's imported distilled spirits.

According to Global Trade Atlas, Japan's distilled spirits export values increased 4 percent in 2004 to \$32.1 million. Major destinations for distilled spirits from Japan are Taiwan, the United States, and China. The United States is 14 percent of the Japanese export market by value. The U.S. Department of Commerce reports that the United States imported \$2.2 million in distilled spirits from Japan in 2004, an increase of 55 percent over 2003, with a quantity of 285.6 thousand LITPF, an increase of 84 percent.

By value, the composition of exports from Japan to the world are 37 percent other spirituous beverages of an alcohol strength by volume of more than 0.5 percent and less than 1 percent (most likely mirin⁹ or mirin flavored seasoning), 31 percent liqueurs and cordials, 28 percent whiskeys, and 3 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, with small amounts of grape brandy, vodka, rum, tafia, and gin.

Government export promotion for Japanese distilled spirits is performed by the Japanese External Trade Organization (JETRO).

⁹ Mirin is a low alcohol rice wine used in cooking.

Competitor Countries for U.S. Distilled Spirits

France

Production: Complete production data is unavailable.

Total imports: \$883.6 million (2004)

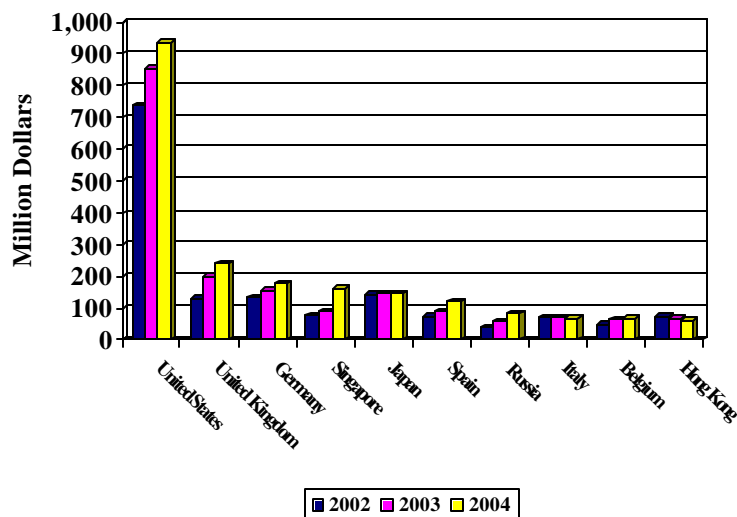
Total exports: \$2.8 billion (2004)

Sources: GTA, Eurostat

While complete production data are not available, in 2003 France produced 3 million liters of whiskey, 98 million liters of brandy and cognac, 2 million liters of rum, and 246 million liters of liqueurs and other spirits.¹⁰

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 6 liters, down from 6.4 liters in 1997. Popular products include blended Scotch whiskey and aniseed flavored spirits.

Figure 12. France Distilled Spirits Exports by Value



Sources: Global Trade Atlas

According to Global Trade Atlas, France's distilled spirits export values increased 12 percent in 2004 to \$2.8 billion. Major destinations for distilled spirits from France are the United States, the United Kingdom, and Germany. The United States is 33 percent of the French export market by value. The U.S. Department of Commerce reports that the United States imported \$954 million in distilled spirits from France in 2004, an increase of 13 percent over 2003, with a quantity of 59.1 million LITPF, an increase of 7 percent.

By value, the composition of exports from France to the world are 62 percent grape brandy (mainly cognac), 15 percent liqueurs and cordials, 8 percent other spirituous

¹⁰ Eurostat figures as reported by Euromonitor.

beverages, 6 percent vodka, 6 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, and 3 percent whiskeys, with small amounts of rum, tafia, and gin. Totals do not sum to 100 percent due to rounding.

According to the U.S. Department of Commerce, U.S. exports of distilled spirits to France increased in 2004, with increases of 13 percent in value to \$29.3 million and of 51 percent in quantity to 4 million LITPF. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the French market in 2004 were 95 percent whiskeys, 2 percent liqueurs and cordials, 1 percent grape brandy, and small amounts of rum and tafia, and other spirituous beverages NESOL. The United States supplies 4 percent of France's imported distilled spirits.

Export promotion for French distilled spirits is done by the Societe pour l'Expansion des Ventes des Produits Agricoles et Alimentaries (SOPEXA) and UBI France (formerly known as the French Center for Exterior Trade).

Ireland

Production: Production data is unavailable.

Total imports: \$116 million (2004)

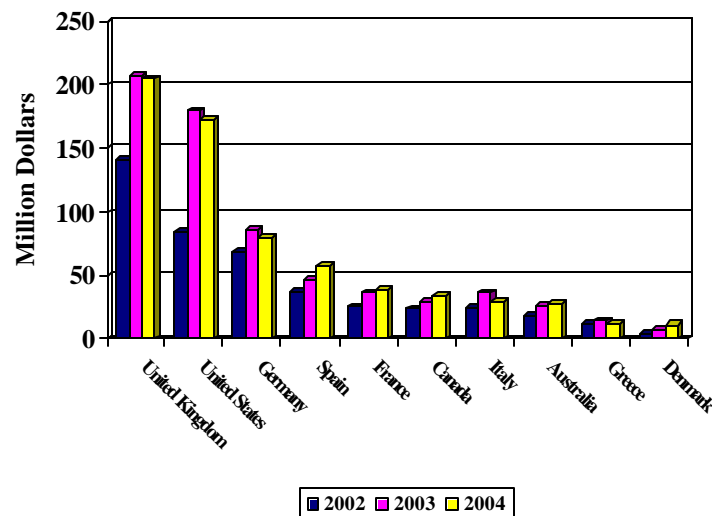
Total exports: \$761.8 million (2004)

Sources: GTA, Euromonitor

Production data from Ireland has been marked as confidential and is not available.

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 4.9 liters, up from 4.8 liters in 1997. Popular products include vodka, Irish whiskey, and liqueurs.

Figure 13. Ireland Distilled Spirits Exports by Value



Sources: Global Trade Atlas

According to Global Trade Atlas, Ireland's distilled spirits export values increased 1 percent in 2004 to \$761.8 million. Major destinations for distilled spirits from Ireland are the United Kingdom, the United States, and Germany. The United States is 23 percent of the Irish export market by value. The U.S. Department of Commerce reports that the United States imported \$201 million in distilled spirits from Ireland in 2004, a decrease of 9 percent over 2003, with a quantity of 10.3 million LITPF, an increase of one-half of 1 percent.

By value, the composition of exports from Ireland to the world are 82 percent liqueurs and cordials, 16 percent whiskeys, and 2 percent vodka, with small amounts of other liqueurs, undenatured ethyl alcohol of an alcohol content greater than 80 percent, grape brandy, rum, tafia, and other distilled spirits.

According to the U.S. Department of Commerce, U.S. exports of distilled spirits to Ireland increased in 2004, with increases of 210 percent in value to \$8 million and of 7,240 percent in quantity to 16.2 million LITPF. Most of the increase can be attributed to undenatured ethyl alcohol for beverage purposes, although sales of U.S. whiskeys have increased as well. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the Irish market in 2004 were 54 percent undenatured ethyl alcohol for beverage purposes, 45 percent whiskeys, and a small amount of grape brandy. The United States supplies 4 percent of Ireland's imported distilled spirits.

Export promotion is done through the Irish Food Board, An Bord Bia (BB).

Mexico

Production: Complete production data unavailable.

Total imports: \$188.9 million (2004)

Total exports: \$613.7 million (2004)

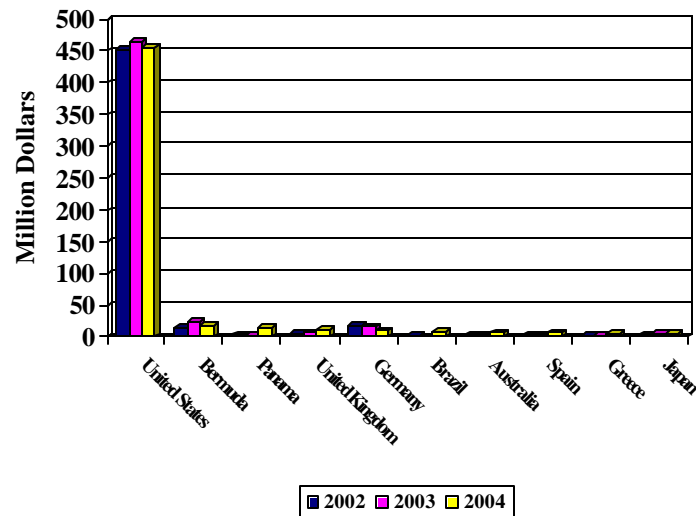
Sources: GTA, INEG, *Encuesta Industrial Mensual*, *Camára de la Industria Tequilera*¹¹

Complete production data are unavailable. In 2003, it was reported by INEG that Mexico produced 17.3 million liters of rum, 70.6 million liters of tequila, 12.7 million liters of liqueurs, and 20.2 million liters of aguardiente (an inexpensive brandy).

According to Euromonitor, per capita consumption of distilled spirits in 2004 was 1.6 liters, down from 1.8 liters in 1997. Popular products include tequila and mescal, brandy and cognac, and white rum.

¹¹ As reported by Euromonitor.

Figure 14. Mexico Distilled Spirits Exports by Value



Sources: Global Trade Atlas

According to Global Trade Atlas, Mexico's distilled spirits export values increased 3 percent in 2004 to \$613.7 million. Major destinations for distilled spirits from Mexico are the United States, Bermuda, and Panama. The United States is 74 percent of the Mexican export market by value. The U.S. Department of Commerce reports that the United States imported \$436.8 million in distilled spirits from Mexico in 2004, a decrease of 5 percent over 2003, with a quantity of 74.8 million LITPF, a decrease of 8 percent.

By value, the composition of exports from Mexico to the world are 85 tequila and similar products, 5 percent rum and tafia, 4 percent liqueurs and cordials, 4 percent grape brandy, and 2 percent whiskeys, with small amounts of vodka and gin. Totals do not sum to 100 percent due to rounding.

According to the U.S. Department of Commerce, U.S. exports of distilled spirits to Mexico fell in 2004, with decreases of 29 percent in value to \$16.8 million and of 40 percent in quantity to 28 million LITPF. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the Mexican market in 2004 were 71 percent undenatured ethyl alcohol for beverage purposes, 22 percent whiskeys, 2 percent liqueurs and cordials, 2 percent vodka, 1 percent other spirituous beverages NESOI, 1 percent rum and tafia, and small amounts of grape brandy, gin, and others. The United States supplies 12 percent of Mexico's imported distilled spirits.

Two government entities are responsible for export promotion programs of distilled spirits: the Foreign Trade Promotion Directorate and the Mexican Bank for Foreign Trade (BANCOMEXT).

Italy

Production: Complete production data unavailable.

Total imports: \$427.2 million (2004)

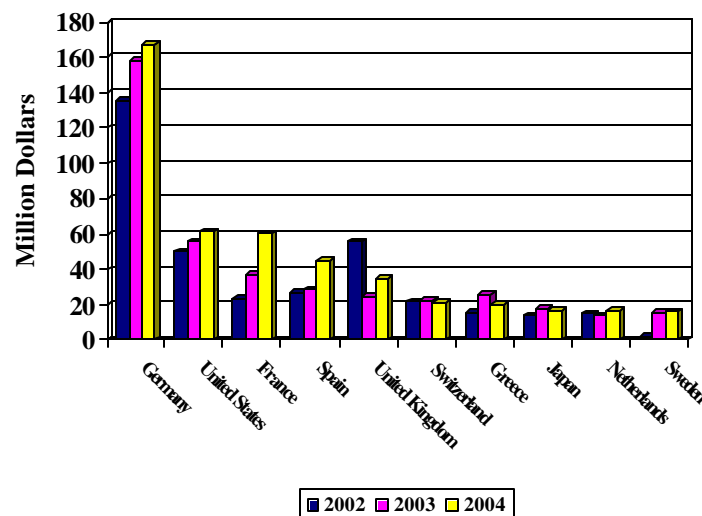
Total exports: \$591.3 million (2004)

Sources: GTA, Eurostat¹²

Complete production data are unavailable. In 2003, Eurostat reported that Italy produced 246.2 million liters of liqueurs and other spirits, 68.7 million liters of brandy, 2.2 million liters of whiskey, and 2 million liters of rum.

According to Euromonitor, per capita consumption of distilled spirits was 2.7 liters in 1997. Sources believe that distilled spirits consumption is not currently growing in Italy, though there are no official statistics at this time. Popular products include aniseed flavored spirits, grappa¹³, limoncello¹⁴, blended Scotch whiskey, and dark rum.

Figure 15. Italy Distilled Spirits Exports by Value



Sources: Global Trade Atlas

According to Global Trade Atlas, Italy's distilled spirits export values increased 15 percent in 2004 to \$591.3 million. Major destinations for distilled spirits from Italy are Germany, the United States, and France. The United States is 10 percent of the Italian export market by value. The U.S. Department of Commerce reports that the United States imported \$91.2 million in distilled spirits from Italy in 2004, an increase of 8 percent over 2003, with a quantity of 10.8 million LITPF, virtually unchanged since 2003.

¹² As reported by Euromonitor.

¹³ Grappa is a clear distilled spirit made from grape skins.

¹⁴ Limoncello is a lemon flavored liqueur.

By value, the composition of exports from Italy to the world are 70 percent liqueurs and cordials of various types, 15 percent grape brandy including grappa, 7 percent undenatured ethyl alcohol of an alcohol content greater than 80 percent, 4 percent vodka, 4 percent whiskeys, and 2 percent rum, with a small amount of gin. Totals do not sum to 100 percent due to rounding.

According to the U.S. Department of Commerce, U.S. exports of distilled spirits to Italy increased in 2004, with increases of 32 percent in value to \$30.3 million and of 12 percent in quantity to 2.5 million LITPF. Global Trade Atlas reports that the composition of U.S. distilled spirits exports by value to the Italian market in 2004 were 94 percent whiskeys, 3 percent liqueurs and cordials, 2 percent vodka, 1 percent rum and tafia, and small amounts of other spirituous beverages NESOI and grape brandy. The United States supplies 8 percent of Italy's imported distilled spirits.

The Italian Trade Commission (ICE) of the Ministry of Production Activities (MPA) is the national agency tasked with developing and implementing Italy's international export programs for all products.

Appendix

Study Objectives

The purpose of this study is to give a general description of the global distilled spirits market with respect to international trade from the point of view of the United States. The perspective is forward looking, using historical data as background. The intended audience for this report is the FAS foreign posts, Market Access Program (MAP) cooperators, and small to medium sized U.S. businesses.

Definition of Product

Distilled spirits include whiskeys, vodka, gin, tequila, rum, brandy, cordials, and liqueurs. Distilled spirits are alcoholic beverages obtained by the distillation of fermented agricultural products. Wine and beer are not included in this sector.

In the United States, beverage alcohol including beer, wine, and distilled spirits are marketed and sold to adults age 21 and over. Distilled spirits are typically used in recreational situations, and to a lesser extent to enhance the enjoyment of meals. Since the effects of alcohol can alter judgment, moderation in usage is key. Moderation is defined as no more than one drink per day for women and no more than two drinks per day for men. For distilled spirits, 1.5 ounces of 80-proof distilled spirits counts as one drink. To compare with other alcoholic beverages, 5 ounces of wine counts as one drink and 12 ounces of beer counts as one drink.¹⁵

Some groups of people should not drink alcoholic beverages, including children; adolescents; pregnant women or women who may become pregnant; breastfeeding women; persons with specific medical conditions or taking specific medications; persons who plan to drive or take part in other activities that require attention, skill, or coordination; and persons who cannot restrict their drinking to moderate levels.¹⁶

The major commodities used to manufacture distilled spirits (depending on the product) are corn, barley, wheat, rice, rye, potatoes, sugar cane, and molasses. Other ingredients include dairy, juniper berries, herbs, spices, and various additives and flavorings.

¹⁵ “Dietary Guidelines for Americans,” United States Department of Agriculture and United States Department of Health and Human Services, 2005.
<http://www.health.gov/dietaryguidelines/dga2005/document/>

¹⁶ “Dietary Guidelines for Americans: Executive Summary,” 2005
<http://www.health.gov/dietaryguidelines/dga2005/document/html/executivesummary.htm>

Methodology and Sources

The industry consensus is that distilled spirits are described by the following 4-digit Harmonized System (HS) code 2208, and its eight associated categories when described by the 6-digit HS Code, in addition to one 10-digit HS code from 2207. These codes are used for tracking imports and exports.

HS 4	HS 4 description	HS 6	HS 6 description
2208	Liqueur, spirits, and undenatured ethyl alcohol, <80%	220810	Compound alcoholic preparations of a kind used for the manufacture of beverages
		220820	Spirits obtained by distilling grape wine, grape marc
		220830	Whiskeys
		220840	Rum and tafia
		220850	Gin and geneva
		220860	Vodka
		220870	Liqueurs and cordials
		220890	Alcoholic liqueurs not elsewhere specified
HS 4	HS 4 description	HS 10	HS 10 description
2207	Ethyl Alcohol	2207103000	Ethyl Alcohol undenatured, 80 percent alcohol or higher for beverage

Internationally, HS codes are only standardized to the 6-digit level. When measuring undenatured ethyl alcohol of an alcohol content of 80 percent or higher, many countries' trade statistics do not separate out the product in HS 220710 meant for beverages versus the product meant for other uses. Care should be taken when interpreting the trade statistics for this HS code.

For a complete selection of FAS worldwide reporting, visit <http://www.fas.usda.gov> to see the Global Agricultural Information Network (GAIN) reports.¹⁷ Regular distilled spirits reports are not issued from the FAS Posts, but distilled spirits issues are sometimes mentioned in other GAIN reports, particularly in the Hotel, Retail, and Institutional (HRI) reports. FAS Posts in Bulgaria, Poland, Thailand, China, Hungary, Mexico, and the Russian Federation have submitted reports on the distilled spirits market or a particular aspect of the market.

For information on U.S. imports and exports, please visit our trade database online at <http://www.fas.usda.gov/ustrade>. For country and regional tariff and tax information, please refer to http://www.ita.doc.gov/td/tic/tariff/country_tariff_info.htm. For information on production and trade, contact Dorsey Luchok at (202) 720-3083. For information on marketing, contact Angela Thomas at (202) 720-1533.

¹⁷ GAIN reports can be viewed at <http://www.fas.usda.gov/scripts/attacherep/default.asp>. To view by country and subject and date(s), select option 1. Option 2 allows the viewer to pick by subject. Option 3 allows the viewer to enter a particular report number.

Country Export and Import Valuation Explanation

Countries use different export and import valuations, depending on the source of data. These differences partially explain why the valuation of trade depends on the analysis perspective.

Country	Export Valuation	Import Valuation	Source of Data
Argentina	F.O.B.	C.I.F.	INDEC – National Institute of Statistics & Census
Australia	F.O.B.	C.V.	Australian Bureau of Statistics
Austria	F.O.B.	C.I.F.	EuroStat
Belgium	F.O.B.	C.I.F.	EuroStat
Brazil	F.O.B.	F.O.B.	SECEX – Foreign Trade Secretariat
Canada	F.O.B.	F.O.B.	Statistics Canada
Chile	F.O.B.	C.I.F.	Chile Customs - Servicio Nacional de Aduana
China	F.O.B.	C.I.F.	China Customs
Colombia	F.O.B.	C.I.F.	DANE – National Administrative Department of Statistics
Cyprus	F.O.B.	C.I.F.	EuroStat
Czech Republic	F.O.B.	C.I.F.	EuroStat
Denmark	F.O.B.	C.I.F.	EuroStat
Estonia	F.O.B.	C.I.F.	EuroStat
Finland	F.O.B.	C.I.F.	EuroStat
France	F.O.B.	C.I.F.	EuroStat
Germany	F.O.B.	C.I.F.	EuroStat
Greece	F.O.B.	C.I.F.	EuroStat
Hong Kong	F.O.B.	C.I.F.	Hong Kong Census & Statistics Department
Hungary	F.O.B.	C.I.F.	EuroStat
Iceland	F.O.B.	F.O.B.	Statistics Iceland
India	F.O.B.	C.I.F.	Ministry of Commerce
Indonesia	F.O.B.	C.I.F.	Statistics Indonesia
Ireland	F.O.B.	C.I.F.	EuroStat
Italy	F.O.B.	C.I.F.	EuroStat
Japan	F.O.B.	C.I.F.	Japan Customs
Latvia	F.O.B.	C.I.F.	EuroStat
Lithuania	F.O.B.	C.I.F.	EuroStat
Luxembourg	F.O.B.	C.I.F.	EuroStat
Malaysia	F.O.B.	C.I.F.	Department of Statistics Malaysia
Malta	F.O.B.	C.I.F.	EuroStat
Mexico	F.O.B.	F.O.B.	Secretary of Economy
Netherlands	F.O.B.	C.I.F.	EuroStat
New Zealand	F.O.B.	V.F.D.	Statistics New Zealand
Norway	F.O.B.	C.I.F.	Statistics Norway
Peru	F.O.B.	C.I.F.	Peru Customs - Super Intendencia Nacional de Aduanas
Philippines	F.O.B.	F.O.B.	Philippines National Statistics Office
Poland	F.O.B.	C.I.F.	EuroStat
Portugal	F.O.B.	C.I.F.	EuroStat
Russia	F.O.B.	C.I.F.	Customs Committee of Russia
Singapore	F.O.B.	C.I.F.	Singapore Customs
Slovakia	F.O.B.	C.I.F.	EuroStat
Slovenia	F.O.B.	C.I.F.	EuroStat
South Africa	F.O.B.	F.O.B.	South African Revenue Service
South Korea	F.O.B.	C.I.F.	Korea Customs Service
Spain	F.O.B.	C.I.F.	EuroStat
Sri Lanka	F.O.B.	C.I.F.	Sri Lanka Customs
Sweden	F.O.B.	C.I.F.	EuroStat
Switzerland	F.O.B.	C.I.F.	Swiss Customs
Taiwan	F.O.B.	C.I.F.	Taiwan Directorate General of Customs
Thailand	F.O.B.	C.I.F.	Thai Customs Department
Turkey	F.O.B.	C.I.F.	State Institute of Statistics
United Kingdom	F.O.B.	C.I.F.	EuroStat
USA	F.A.S.	C.V.	U.S. Department of Commerce, Bureau of Census
Venezuela	F.O.B.	F.O.B.	SENIAT – National Customs & Tax Administration

Value definitions are given on the following page.

Global Trade Atlas provides the following export and import value definitions:

- Custom Import Value (C.V.) – This value is generally defined as the price actually paid or payable for merchandise when sold for exportation, excluding import duties, freight, insurance, and other charges incurred in bringing the merchandise to the importing country.
- Cost, Insurance, and Freight Import Value (C.I.F.) – This value represents the landed value of the merchandise at the first port of arrival in the importing country. It is computed by adding “Import Charges” to the “Customs Value” and therefore excludes import duties.
- Free Along Ship Export Value (F.A.S.) – The value of exports at the seaport, airport, or border, port of export, based on the transaction price, including inland freight, insurance, and other charges incurred in placing the merchandise alongside the carrier at the port of exportation. The value, as defined, excludes the cost of loading the merchandise aboard the exporting carrier and also excludes freight, insurance, and any charges or transportation costs beyond the port of exportation.
- Free On Board (F.O.B.) – A standard reference to the price of merchandise on the border or at a national port. In F.O.B. contracts, the seller is obliged to have the goods packaged and ready for shipment at the place agreed upon, and purchaser agrees to cover all ground transport costs and to assure all risks in the exporting country, together with subsequent transport costs and expenses incurred in loading the goods onto the chosen means of transport.
- Value for Duty (V.F.D.) – Value of imports before the addition of insurance and freight costs. The V.F.D. value equates approximately to F.O.B. value of goods in the exporting country.

Trade Data Comparison

United States Trading Partner	Distilled Spirits Exports to Partner, reported by U.S. Customs, 2004 (\$Million)	Distilled Spirits Imports from United States, reported by Partner, 2004 (\$Million)	Difference between trade reported by United States, Partner (\$Million)
United Kingdom	\$120.8	\$118.3	+\$2.5
France	\$27.6	\$34.1	-\$6.5
Ireland	\$8.3	\$4.3	+\$4.0
Mexico	\$24.1	\$23.0	+\$1.1
Italy	\$30.3	\$34.1	-\$3.8
Canada	\$103.4	\$100.2	+\$3.2
Germany	\$81.7	\$85.0	-\$3.3
Australia	\$78.4	\$82.2	-\$3.8
Japan	\$58.9	\$66.4	-\$7.5

Source: Global Trade Atlas, differences may not be exact due to rounding

Data Updates

Each year the Department of Commerce, U.S. Census Bureau, Foreign Trade Division releases a 13th month file approximately three months after the release of the December data. The 13th Month file includes corrections (errata) made at the request of outside sources and verified with exporters or importers by the Foreign Trade Division. The 13th month data also includes late shipments. Late shipments are Shippers Export Declarations or Import Entry Summary Forms that are received too late to be included within the normal monthly trade release. Adjustments to U.S. distilled spirits trade data for 2004 were incorporated during July 2005 into the U.S. Trade system at <http://www.fas.usda.gov/ustrade>.

Sources

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- U.S. Department of Commerce, Bureau of the Census, 2002 Economic Census, Distilleries: 2002, Manufacturing Industry Series
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